

Union Calendar No. 6

107TH CONGRESS
1ST SESSION

H. R. 3

[Report No. 107-7]

To amend the Internal Revenue Code of 1986 to reduce individual income tax rates.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 28, 2001

Mr. THOMAS introduced the following bill; which was referred to the Committee on Ways and Means

MARCH 6, 2001

Additional sponsors: Mr. HASTERT, Mr. ARMEY, Mr. DELAY, Mr. DREIER, Mr. WATTS of Oklahoma, Mr. COX, Mr. CRANE, Mr. SHAW, Mrs. JOHNSON of Connecticut, Mr. HOUGHTON, Mr. HERGER, Mr. MCCRERY, Mr. CAMP, Mr. RAMSTAD, Mr. NUSSLE, Mr. SAM JOHNSON of Texas, Ms. DUNN, Mr. COLLINS, Mr. PORTMAN, Mr. ENGLISH, Mr. WATKINS, Mr. HAYWORTH, Mr. WELLER, Mr. HULSHOF, Mr. MCINNIS, Mr. LEWIS of Kentucky, Mr. FOLEY, Mr. BRADY of Texas, Mr. RYAN of Wisconsin, Mr. TOM DAVIS of Virginia, Ms. PRYCE of Ohio, and Mrs. CUBIN

MARCH 6, 2001

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italie*]

[For text of introduced bill, see copy of bill as introduced on February 28, 2001]

A BILL

To amend the Internal Revenue Code of 1986 to reduce individual income tax rates.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) *SHORT TITLE.*—*This Act may be cited as the*
 5 *“Economic Growth and Tax Relief Act of 2001”.*

6 (b) *AMENDMENT OF 1986 CODE.*—*Except as otherwise*
 7 *expressly provided, whenever in this Act an amendment or*
 8 *repeal is expressed in terms of an amendment to, or repeal*
 9 *of, a section or other provision, the reference shall be consid-*
 10 *ered to be made to a section or other provision of the Inter-*
 11 *nal Revenue Code of 1986.*

12 (c) *SECTION 15 NOT TO APPLY.*—*No amendment*
 13 *made by section 2 shall be treated as a change in a rate*
 14 *of tax for purposes of section 15 of the Internal Revenue*
 15 *Code of 1986.*

16 **SEC. 2. REDUCTION IN INCOME TAX RATES FOR INDIVID-**
 17 **UALS.**

18 (a) *IN GENERAL.*—*Section 1 is amended by adding*
 19 *at the end the following new subsection:*

20 *“(i) RATE REDUCTIONS AFTER 2000.—*

21 *“(1) NEW LOWEST RATE BRACKET.—*

22 *“(A) IN GENERAL.—In the case of taxable*
 23 *years beginning after December 31, 2000—*

24 *“(i) the rate of tax under subsections*

25 *(a), (b), (c), and (d) on taxable income not*

1 *over the initial bracket amount shall be 12*
2 *percent (as modified by paragraph (2)),*
3 *and*

4 *“(ii) the 15 percent rate of tax shall*
5 *apply only to taxable income over the ini-*
6 *tial bracket amount.*

7 *“(B) INITIAL BRACKET AMOUNT.—For pur-*
8 *poses of this subsection, the initial bracket*
9 *amount is—*

10 *“(i) \$12,000 in the case of subsection*
11 *(a),*

12 *“(ii) \$10,000 in the case of subsection*
13 *(b), and*

14 *“(iii) ½ the amount applicable under*
15 *clause (i) in the case of subsections (c) and*
16 *(d).*

17 *“(C) INFLATION ADJUSTMENT.—In pre-*
18 *scribing the tables under subsection (f) which*
19 *apply with respect to taxable years beginning in*
20 *calendar years after 2001—*

21 *“(i) the Secretary shall make no ad-*
22 *justment to the initial bracket amount for*
23 *any taxable year beginning before January*
24 *1, 2007,*

“(ii) the cost-of-living adjustment used in making adjustments to the initial bracket amount for any taxable year beginning after December 31, 2006, shall be determined under subsection (f)(3) by substituting ‘2005’ for ‘1992’ in subparagraph (B) thereof, and

“(iii) such adjustment shall not apply to the amount referred to in subparagraph (B)(iii).

If any amount after adjustment under the preceding sentence is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.

“(2) *REDUCTIONS IN RATES AFTER 2001.*—In the case of taxable years beginning in a calendar year after 2001, the corresponding percentage specified for such calendar year in the following table shall be substituted for the otherwise applicable tax rate in the tables under subsections (a), (b), (c), (d), and, to the extent applicable, (e).

<i>“In the case of taxable years beginning during calendar year:</i>	<i>The corresponding percentages shall be substituted for the following percentages:</i>				
	<i>12%</i>	<i>28%</i>	<i>31%</i>	<i>36%</i>	<i>39.6%</i>
2002	12%	27%	30%	35%	38%
2003	11%	27%	29%	35%	37%
2004	11%	26%	28%	34%	36%
2005	11%	26%	27%	34%	35%
2006 and thereafter	10%	25%	25%	33%	33%

1 “(3) *ADJUSTMENT OF TABLES.*—*The Secretary*
 2 *shall adjust the tables prescribed under subsection (f)*
 3 *to carry out this subsection.*”

4 **(b) *REPEAL OF REDUCTION OF REFUNDABLE TAX***
 5 ***CREDITS.***—

6 (1) *Subsection (d) of section 24 is amended by*
 7 *striking paragraph (2) and redesignating paragraph*
 8 *(3) as paragraph (2).*

9 (2) *Section 32 is amended by striking subsection*
 10 *(h).*

11 **(c) *CONFORMING AMENDMENTS.***—

12 (1) *Subparagraph (B) of section 1(g)(7) is*
 13 *amended—*

14 (A) *by striking “15 percent” in clause*
 15 *(ii)(II) and inserting “the first bracket percent-*
 16 *age”, and*

17 (B) *by adding at the end the following flush*
 18 *sentence:*

19 *“For purposes of clause (ii), the first bracket per-*
 20 *centage is the percentage applicable to the lowest*
 21 *income bracket in the table under subsection*
 22 *(c).”*

23 (2) *Section 1(h) is amended—*

1 (A) by striking “28 percent” both places it
 2 appears in paragraphs (1)(A)(ii)(I) and
 3 (1)(B)(i) and inserting “25 percent”, and
 4 (B) by striking paragraph (13).

5 (3) Section 15 is amended by adding at the end
 6 the following new subsection:

7 “(f) *RATE REDUCTIONS ENACTED BY ECONOMIC*
 8 *GROWTH AND TAX RELIEF ACT OF 2001.—This section*
 9 *shall not apply to any change in rates under subsection*
 10 *(i) of section 1 (relating to rate reductions after 2000).”*

11 (4) Section 531 is amended by striking “equal
 12 to” and all that follows and inserting “equal to the
 13 product of the highest rate of tax under section 1(c)
 14 and the accumulated taxable income.”.

15 (5) Section 541 is amended by striking “equal
 16 to” and all that follows and inserting “equal to the
 17 product of the highest rate of tax under section 1(c)
 18 and the undistributed personal holding company in-
 19 come.”.

20 (6) Section 3402(p)(1)(B) is amended by strik-
 21 ing “7, 15, 28, or 31 percent” and inserting “7 per-
 22 cent, any percentage applicable to any of the 3 lowest
 23 income brackets in the table under section 1(c).”.

24 (7) Section 3402(p)(2) is amended by striking
 25 “equal to 15 percent of such payment” and inserting

1 *“equal to the product of the lowest rate of tax under*
 2 *section 1(c) and such payment”.*

3 (8) *Section 3402(q)(1) is amended by striking*
 4 *“equal to 28 percent of such payment” and inserting*
 5 *“equal to the product of the third to the lowest rate*
 6 *of tax under section 1(c) and such payment”.*

7 (9) *Section 3402(r)(3) is amended by striking*
 8 *“31 percent” and inserting “the third to the lowest*
 9 *rate of tax under section 1(c)”.*

10 (10) *Section 3406(a)(1) is amended by striking*
 11 *“equal to 31 percent of such payment” and inserting*
 12 *“equal to the product of the third to the lowest rate*
 13 *of tax under section 1(c) and such payment”.*

14 (11) *Section 13273 of the Revenue Reconciliation*
 15 *Act of 1993 is amended by striking “28 percent” and*
 16 *inserting “the third to the lowest rate of tax under*
 17 *section 1(c) of the Internal Revenue Code of 1986”.*

18 (d) *EFFECTIVE DATES.—*

19 (1) *IN GENERAL.—Except as provided in para-*
 20 *graph (2), the amendments made by this section shall*
 21 *apply to taxable years beginning after December 31,*
 22 *2000.*

23 (2) *AMENDMENTS TO WITHHOLDING PROVI-*
 24 *SIONS.—The amendments made by paragraphs (6),*
 25 *(7), (8), (9), (10), and (11) of subsection (c) shall*

1 *apply to amounts paid after the 60th day after the*
2 *date of the enactment of this Act.*

3 ***SEC. 3. PROTECTION OF SOCIAL SECURITY AND MEDICARE.***

4 *The amounts transferred to any trust fund under the*
5 *Social Security Act shall be determined as if this Act had*
6 *not been enacted.*

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